

Message Text

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TO AMEMBASSY SANTIAGO PRIORITY

C O N F I D E N T I A L STATE 102729

E.O. 11652: GDS

TAGS: US, CI, EIND, ETRD

SUBJECT: CHILEAN REQUIREMENTS FOR ALPHA CELLULOSE

1. DURING WEEK OF APRIL 29, JOSE SAID OF RAYON SAID AND JOSE GARCES OF RAYONHIL, CHILEAN RAYON AND CELLOPHANE MANUFACTURERS, VISITED VARIOUS US CELLULOSE PRODUCERS IN AN EFFORT TO OBTAIN UP TO 5,000 TONS OF ALPHA CELLULOSE FOR THE SECOND HALF OF 1974. THEY WERE ACCOMPANIED BY ORLANDO SAENZ, PRIVATE SECTOR ADVISOR TO THE JUNTA, AND CALLED ON STATE AND COMMERCE OFFICIALS IN AN EFFORT TO ENLIST USG SUPPORT.

2. DEPARTMENT HAS MADE VIGOROUS EFFORTS THROUGH PAST SEVERAL DAYS TO CONTACT US SUPPLIERS OF ALPHA CELLULOSE. CHIEF EXECUTIVE OFFICERS OR SENIOR EXECUTIVES OF WEYERHAUSER, BUCKEYE CELLULOSE, KETCHIKAN PULP COMPANY AND INTERNATIONAL PAPER AND PULP WERE CONTACTED BY DEPUTY ASSISTANT SECRETARY SZABO. US SUPPLIERS WERE TOLD SERIOUSNESS OF SITUATION FACING CHILEAN COMPANIES CONCERNED AND US GOVERNMENT'S DESIRE TO PREVENT DAMAGE TO THIS SECTOR OF CHILEAN ECONOMY AND IMPORTANCE WE ATTACH, AS PART OF US EFFORT TO ASSIST CHILEAN RECONSTRUCTION, TO ALPHA CELLULOSE BEING MADE AVAILABLE.

3. AS CHILEAN GOVERNMENT AND COMPANIES CONCERNED KNOW,
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ALPHA CELLULOSE SITUATION IN US, AS WELL AS ABROAD, REMAINS

EXTREMELY TIGHT AND IS EXPECTED TO REMAIN SO IN THE FORESEEABLE FUTURE. US INDUSTRY, BECAUSE OF SHORTAGE, HAS INSTITUTED AN ALLOCATION SYSTEM TO PROVIDE SCARCE RESOURCES AMONG HISTORICAL BUYERS. WITH THE EXCEPTION OF ITT-RAYONIER, NO NEW CAPACITY TO PRODUCE ALPHA CELLULOSE IS UNDER CONSTRUCTION. ADDITIONAL DIFFICULTY STEMS FROM US GOVERNMENT EFFORT TO HOLD 1974 EXPORTS OF ALPHA CELLULOSE TO 1973 LEVELS TO PREVENT FURTHER PRICE INCREASES AND SHORTAGES IN US.

4. RESULTS OF SZABO CONVERSATIONS WITH INDIVIDUAL COMPANIES ARE AS FOLLOWS:

A. INTERNATIONAL PULP: PRESIDENT DIXON ILLUSTRATED THEIR TIGHT SITUATION BY STRESSING NECESSITY OF REDUCING THEIR COMMITMENTS TO THE SOVIET UNION FROM 10,000 TONS TO ZERO TONS AND TO INDIA BY 7,000 TONS IN RECENT WEEKS. HE ALSO CITED USG EXPORT LIMITATIONS AS A DIFFICULTY. HE HELD OUT SLIGHT HOPE, HOWEVER, AND WITHOUT WISHING TO BE COMMITTED, SAID THAT IF PRODUCTION CONTINUES AT SATISFACTORY LEVELS WITHIN THE NEXT FEW MONTHS, THEY MAY CONSIDER SELLING TO TWO CHILEAN FIRMS CERTAIN QUANTITY OF ALPHA CELLULOSE BUT BELOW 1,000 TONS. IN ANY CASE, DIXON ASSURED SZABO THAT THE REQUEST OF THE TWO CHILEAN FIRMS IS BEING PUT ON THE TOP OF COMPANY'S LIST IN VIEW OF IMPORTANCE GIVEN TO THIS BY US GOVERNMENT.

B. KETCHIKAN PULP COMPANY: MR. OSKIN, EXECUTIVE VICE PRESIDENT FOR MARKETING, ESSENTIALLY REPEATED THE SAME STORY AS OTHERS IN INDUSTRY. COMPANY, JOINTLY OWNED BY LOUISIANA PACIFIC AND FMC, PRODUCES ESSENTIALLY FOR DOMESTIC REQUIREMENTS OF THESE PARENT COMPANIES ALTHOUGH KETCHIKAN HAS EXPORTED SMALL QUANTITIES TO MEXICO AND JAPAN IN THE PAST. IN VIEW OF TIGHT MARKET SITUATION, OSKIN WILL RECOMMEND TO HIS SUPERIORS AGAINST SELLING TO NEW BUYERS UNLESS IT WAS ON BASIS OF VERY LONG-TERM CONTRACT AND ON MORE PROFITABLE BASIS THAN TO CURRENT BUYERS. OSKIN RECALLED CHEMICAL GROUP OF FMC IS CURRENTLY DOING BUSINESS IN CHILE PRODUCING CHEMICALS FOR THE PROCESSING OF COPPER ORE.

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C. WEYERHAUSER: SAMPLE OF ALPHA CELLULOSE WAS SENT (APPARENTLY MAILED) TO RAYONHIL- WEYERHAUSER TOLD US THAT THEY WERE PREPARED TO SELL REQUIRED QUANTITY TO CHILEAN COMPANIES. RAYONHIL INFORMED WEYERHAUSER THAT SAMPLE INDICATED IT WAS NOT APPROPRIATE FOR COMPANY'S REQUIREMENTS.

D. BUCKEYE CELLULOSE: PRESIDENT R. E. CANNON, IN ADDITION TO DESCRIBING EXTREMELY TIGHT US AND WORLDWIDE SITUATION, MADE FOLLOWING POINTS: (1) BUCKEYE HAS NOT SUPPLIED CHILEAN COMPANIES IN THE PAST; (2) IT MUST FIRST ATTEMPT TO SUPPLY LONGSTANDING CUSTOMERS IN THE UNITED STATES AND ELSEWHERE; (3) IT WOULD NOT BE IN A POSITION TO SUPPLY QUANTITIES EVEN LESS THAN 5,000 WITHOUT TAKING IT AWAY FROM OTHERS; (4) ITS ALPHA CELLULOSE PULP IS NOT USABLE FOR THE PRODUCTION OF CELLOPHANE. CANNON SAW NO CHANGE IN THE US SUPPLY SITUATION IN THE NEAR FUTURE.

5. ACTION REQUESTED: EMBASSY IS REQUESTED TO CONTACT ORLANDO SAENZ AND, AT ITS DISCRETION, TWO CHILEAN COMPANIES INVOLVED AND CONVEY TO THEM DEPARTMENT'S EFFORTS AS DESCRIBED TO ASSIST OBTAINING ALPHA CELLULOSE FROM US PRODUCERS. EMBASSY SHOULD SUGGEST THAT CHILEANS MAY WISH TO REOPEN DIRECT CONTACT WITH INTERNATIONAL PULP AND EXPLORE FURTHER POSSIBILITIES WITH KETCHIKAN PULP COMPANY, PARTICULARLY IN VIEW OF FMC OPERATIONS IN CHILE. RUSH

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